

## **Comments on Proposed Changes to Angel Investment Tax Credit**

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Key features of Angel Investment Credit under present law:

1. Rewards equity – i.e. high risk – investments only. Equity investments are ownership interest, i.e. they only profit if a company is profitable. In this sense, the Angel Investor truly has “skin in the game.”
2. Rewards manufacturing and research to promote efficiency and innovation
3. Targets small businesses: Large, publicly traded companies are explicitly excluded from eligibility
4. Puts state money behind investors with expertise in risk-taking – preferable to State-funded investment such as SBIC; Risk taking is a “public good,” it benefits people other than the investor by stimulating growth.
5. Example of narrowly targeted tax policy, i.e. controllable cost, identifiable benefits, increased “bang for the buck.”
6. Example of “public-private partnership,” i.e. state money is being used to encourage private parties to undertake activities that have a broader social purpose, in this case, growing the economy.
7. Piggybacks on federal rules to streamline use and administration: eligible businesses are already working with the Angels, Angels are pre-approved by EDD, Angels help the state to insure compliance, etc.

Key features of proposal:

1. Caps increased to reflect growing economy
2. Broadens base of eligible investors through increased partnership caps
3. Defines NM business activity and requires a majority of business activity be here in the state to be eligible
4. Clarifies/streamlines eligible research to align with federal Research and Experimentation Credit.